

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Parkvale Financial Corporation (PFC - holding) / Parkvale Savings Bank (PSB - subsidiary)

Point of Contact:	Robert J. McCarthy, Jr.	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	346	Docket Number: (For Thrift Holding Companies)	H1236
CPP/CDCI Funds Received:	31,762,000	FDIC Certificate Number: (For Depository Institutions)	30237
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 23, 2008	City:	Monroeville
Date Repaid ¹ :	N/A	State:	Pennsylvania

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

While loans decreased on the balance sheet at December 31, 2010 compared to December 31, 2009, loan originations during the year increased by \$16.0 million or 9.4%.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

- Residential Mortgage Loans- Commercial Mortgage Loans- Home Equity Lines of Credit

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☐ Increase reserves for non-performing assets.

☐ Reduce borrowings.

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☒ **Increase charge-offs.**

Net charge-offs to average loans was .55% during calendar 2010 compared to .62% for calendar 2009, but higher than the five year average of .32% due in part to partial principal forgiveness and/or short sales granted for borrowers experiencing financial hardship in the spirit of the CPP.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☒ **Held as non-leveraged increase to total capital.**

PFC invested \$30,000,000 of the \$31,762,000 received into its subsidiary, Parkvale Savings Bank, as a capital contribution so that the Bank can continue to meet the credit needs of the communities served. PFC retained \$1,762,000 for general corporate purposes.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

N/A

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

In the spirit of the Capital Purchase Program, Parkvale initiated a "What Can We Do to Keep You in Your Home" program, based upon the FDIC's Loan Modification Program. This program provides assistance to borrowers that have experienced financial hardship and are unable to make mortgage or home equity loan payments on their homes. Based upon specific financial circumstances of borrowers in need of assistance, the Bank may consider temporary interest rate reductions, extending interest only periods, extending loan terms or amortizations, payment capitalization or forbearance and short sales or partial forgiveness of principal. This program is available for loans serviced by Parkvale or Serviced by Others. For the 2010 calendar year, the Bank has modified approximately 109 loans. Management provides monthly reports to the Board of Directors describing the progress of this program.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

N/A